

NEW HAVEN HOUSING COMMISSION

Financial Statements

March 31, 2008

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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**NEW HAVEN HOUSING COMMISSION**  
30100 John Rivers Drive  
New Haven, Michigan 48048

This discussion and analysis of the New Haven Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

This annual report includes the Management Discussion and Analysis report, the Basic Financial Statements and the Notes to Financial Statements. This report also contains the Financial Data Schedule (FDS) as referenced in the section Supplemental Information. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

**Entity-Wide Statements**

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

**Fund Statements**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Entity-Wide Financial Highlights**

The Commission was awarded and received the following Federal Assistance:

|                        | <u>Year 2008</u> | <u>Year 2007</u> |
|------------------------|------------------|------------------|
| Operating Subsidies    | \$ 280,199       | \$ 238,480       |
| Capital Projects Funds | 99,007           | 91,982           |

Comparison of the current year to the past and discussion of significant changes as follows:

|  | <u>Year 2008</u> | <u>Year 2007</u> | <u>Net<br/>Change</u> |
|--|------------------|------------------|-----------------------|
| Cash & cash equivalents                | \$ 365,240       | \$ 253,900       | 113,340               |
| Accounts Receivable                    | 5,965            | 18,381           | (12,416)              |
| Prepaid Expenses                       | 16,663           | 13,944           | 2,719                 |
| Fixed Assets, prior to<br>Depreciation | 4,805,113        | 4,748,489        | 56,624                |
| Total Liabilities                      | 57,715           | 60,443           | (2,728)               |
| Net Assets                             | 2,737,335        | 2,730,636        | 6,699                 |

Management Discussion and Analysis, continued

|                          | <u>Year 2008</u> | <u>Year 2007</u> | <u>Net<br/>Change</u> |
|--------------------------|------------------|------------------|-----------------------|
| Revenues:                |                  |                  |                       |
| Tenant Revenues          | 147,627          | 133,091          | 14,536                |
| HUD Grants               | 379,206          | 406,062          | (26,856)              |
| Other Revenues           | <u>27,638</u>    | <u>21,300</u>    | 8,636                 |
| Total Revenues           | <u>529,239</u>   | <u>560,453</u>   | (31,214)              |
| Expenses:                |                  |                  |                       |
| Administrative           | 142,072          | 129,392          | 12,680                |
| Tenant Services          | 4,614            | 5,001            | (387)                 |
| Utilities                | 49,575           | 58,470           | (8,895)               |
| Maintenance & Operations | 157,996          | 172,680          | (14,684)              |
| General Expenses         | 37,005           | 23,363           | 13,642                |
| Depreciation Expense     | <u>154,280</u>   | <u>150,280</u>   | (2,454)               |
| Total Operating Expenses | <u>545,542</u>   | <u>539,186</u>   | 6,356                 |
| Net Change in Net Assets | 8,929            | 21,267           | (12,338)              |

Our cash position increased as a result of a net profit before depreciation of \$ 163,209; we used \$56,624 of the gain for capital improvements. Our accounts receivable (tenants) decreased because of implementing the existing collection policy and taken aggressive steps to require timely payment of rents.

Capital acquisitions included surveillance equipment as explained later in this report.

Liabilities did not change significantly; our Net Assets increased by the amount of the net profit, \$ 8,929 adjusted for a minor correction of a transfer from the Capital fund, \$ 2,230.

Tenant rents increased as a result of using the up-front income verification and being substantially fully occupied all year long.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year. In 2008 we requisitioned \$ 99,007 in Capital Fund grants and \$ 280,199 for operations.

Expenses fluctuated between line items; we increased the maintenance staff temporarily to address unit turn-around, we added a part time office staff to assist with the re-exam, however, the bottom line change in all expenses was a minor increase of \$ 6,356, or 1%.

## Management Discussion and Analysis, continued

The Commission provided the following housing for low to moderately low income families:

|                         | <u>Year 2008</u> | <u>Year 2007</u> |
|-------------------------|------------------|------------------|
| Low Rent Public Housing | 88               | 88               |

### General Fund Budgetary Highlights

The Commission approved an operating budget on April 23, 2007 for the fiscal year ending March 31, 2008, we had no occasion to amend the budget.

The significant differences between budget and actual are as follows:

|                   | <u>Budget .</u> | <u>Actual .</u> | <u>Over/ (Under)</u> |
|-------------------|-----------------|-----------------|----------------------|
| Interest Income   | \$ 1,000        | \$ 9,823        | \$ 8,823             |
| Utilities         | 69,400          | 49,575          | (19,825)             |
| HUD Grants        | 341,487         | 379,206         | 37,719               |
| Net Income (Loss) | (72,800)        | 8,929           | 81,729               |

The Commission transferred \$ 73,775 of the Capital Fund Project (CFP) to operations, and the net income before depreciation was better than expected; therefore, we made \$ 8,823 more in interest income than we had budgeted for; conservation efforts and more efficient appliances purchased in recent years have decreased our utility expenses- we saved over \$ 19,000 over our original budget estimates. HUD grants are a function of eligibility and requisitions, the operating subsidy formula has changed in recent years, HUD went to a calendar year computation and the actual subsidy is subject to a reduction called pro-ration; therefore, our original estimates were very conservative- the actual funds were more than our budget estimates.

### Entity Wide Capital Assets

The fixed assets increased \$ 56,624 prior to depreciation. The additions were for the purchase of surveillance equipment to secure the property. We anticipate using the 2008 Capital Fund Grant for operations.

### Commission's Position

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

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Bingham Farm, Michigan 48025

***John C. DiPiero, P.C.***

Certified Public Accountant

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Board of Commissioners  
New Haven Housing Commission  
30100 John Rivers Drive  
New Haven, Michigan 48048

### **Independent Auditor's Report**

I have audited the financial statements of the New Haven Housing Commission Business Type Activities as of and for the year ended March 31, 2008. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Haven Housing Commission as of March 31, 2008, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 19, 2008, on my consideration of the New Haven Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

September 19, 2008

NEW HAVEN HOUSING COMMISSION  
Statement of Net Assets  
March 31, 2008

ASSETS

C-3218

CURRENT ASSETS

|  |    |               |         |
|--|----|---------------|---------|
| Cash & Cash Equivalents                            | \$ | 365,240       |         |
| Accounts Receivable (Net of allowance of \$ 1,000) |    | 5,965         |         |
| Prepaid Expenses                                   |    | <u>16,663</u> |         |
| Total Current Assets                               | \$ |               | 387,868 |

NON CURRENT ASSETS

|                                      |    |                    |                  |
|--------------------------------------|----|--------------------|------------------|
| Land                                 | \$ | 112,710            |                  |
| Buildings                            |    | 4,210,528          |                  |
| Furniture, Equipment- Dwellings      |    | 206,322            |                  |
| Furniture, Equipment- Administrative |    | 116,062            |                  |
| Construction in Progress             |    | 159,491            |                  |
| Accumulated Depreciation             |    | <u>(2,397,931)</u> |                  |
| Total Non Current Assets             |    |                    | <u>2,407,182</u> |

|                     |    |                  |
|---------------------|----|------------------|
| <u>TOTAL ASSETS</u> | \$ | <u>2,795,050</u> |
|---------------------|----|------------------|



NEW HAVEN HOUSING COMMISSION  
Statement of Net Assets  
March 31, 2008

**LIABILITIES**

**C-3218**

CURRENT LIABILITIES

|                                    |    |               |        |
|------------------------------------|----|---------------|--------|
| Accounts Payable                   | \$ | 7,672         |        |
| Accrued Wages & Payroll Taxes      |    | 6,142         |        |
| Accounts Payable- Other Government |    | 7,462         |        |
| Tenants Security Deposit           |    | 15,696        |        |
| Deferred Revenue                   |    | 7,996         |        |
| Accrued Liabilities-Other          |    | <u>12,747</u> |        |
| <u>TOTAL LIABILITIES</u>           | \$ |               | 57,715 |

**Net Assets**

|   |    |                |                  |
|---|----|----------------|------------------|
| Investment in Fixed Assets                |    |                |                  |
| net of Related Debt                       | \$ | 2,407,182      |                  |
| Unrestricted Net Assets                   |    | <u>330,153</u> |                  |
| <u>TOTAL NET ASSETS</u>                   |    |                | <u>2,737,335</u> |
| <u>TOTAL LIABILITIES &amp; NET ASSETS</u> | \$ |                | <u>2,795,050</u> |

The Accompanying Footnotes are an Integral Part of the Financial Statements.

NEW HAVEN HOUSING COMMISSION  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the year ended March 31, 2008

OPERATING REVENUE

|                                |    |               |         |
|--------------------------------|----|---------------|---------|
| Tenant Rental Revenue          | \$ | 147,627       |         |
| HUD Grants                     |    | 353,974       |         |
| Interest Income                |    | 9,823         |         |
| Other Income                   |    | <u>17,815</u> |         |
| <u>Total Operating Revenue</u> | \$ |               | 529,239 |

OPERATING EXPENSES

|                                 |    |                |                |
|---------------------------------|----|----------------|----------------|
| Administrative                  | \$ | 142,072        |                |
| Tenant Services                 |    | 4,614          |                |
| Utility Expenses                |    | 49,575         |                |
| Ordinary Maintenance            |    | 157,996        |                |
| General Expenses                |    | 37,005         |                |
| Depreciation Expense            |    | <u>154,280</u> |                |
| <u>Total Operating Expenses</u> |    |                | <u>545,542</u> |
| <u>Operating Income (Loss)</u>  | \$ |                | (16,303)       |

CAPITAL CONTRIBUTIONS

|                              |    |                |                  |
|------------------------------|----|----------------|------------------|
|                              |    |                | <u>25,232</u>    |
| <u>Changes in Net Assets</u> | \$ |                | 8,929            |
| Total Net Assets- Beginning  | \$ | 2,730,636      |                  |
| Equity Transfer Adjustment   |    | <u>(2,230)</u> | <u>2,728,406</u> |
| <br>Total Net Assets- Ending | \$ |                | <u>2,737,335</u> |

The Accompanying Notes are an Integral part of the Financial Statements

NEW HAVEN HOUSING COMMISSION  
Statement of Cash Flows  
For the Year Ended March 31, 2008

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

|  |                   |
|--|-------------------|
| Receipts from Customers                          | \$ 160,050        |
| Payments to Suppliers                            | (303,097)         |
| Payments to Employees                            | (121,065)         |
| HUD Grants                                       | 379,206           |
| Other Receipts (Payments)                        | <u>27,638</u>     |
| Net Cash Provided (Used) by Operating Activities | \$ <u>142,732</u> |

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

|   |                    |
|---|--------------------|
| Capital Contributions                                   | \$ 25,232          |
| Purchases of Capital Assets                             | <u>(56,624)</u>    |
| Net Cash Flows from Capital & Financing Activities      | \$ <u>(31,392)</u> |
| Net Increase (Decrease) in Cash<br>and Cash Equivalents | \$ 111,340         |
| Cash Balance- Beginning of Year                         | <u>253,900</u>     |
| Cash Balance- End of Year                               | \$ <u>365,240</u>  |

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

|   |                   |
|---|-------------------|
| Net Profit or (Loss)  | \$ (16,303)       |
| Adjustments to Reconcile Operating Income to Net<br>Cash Provided (Used) by Operating Activities: |                   |
| Depreciation  | 154,280           |
| Changes in Assets (Increase) Decrease:  |                   |
| Receivables (Gross)   | 12,416            |
| Prepaid Expenses  | (2,719)           |
| Changes in Liabilities Increase (Decrease):   |                   |
| Accounts Payable  | 433               |
| Accrued Liabilities   | (4,836)           |
| Security Deposits   | 109               |
| Deferred Revenue  | <u>(920)</u>      |
| Net Cash Provided by Operating Activities   | \$ <u>142,732</u> |

The Accompanying Notes are an Integral part of the Financial Statements

NEW HAVEN HOUSING COMMISSION  
Notes to Financial Statements  
March 31, 2008

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

New Haven Housing Commission, New Haven, Michigan, (Commission) was created by ordinance of the city of New Haven. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following as of March 31, 2008:

|        |                  |          |
|--------|------------------|----------|
| MI 180 | Low rent program | 88 units |
|--------|------------------|----------|

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

### Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

### Assets, Liabilities, and Net Assets-

#### Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

|                            |            |
|----------------------------|------------|
| Buildings and Improvements | 27.5 years |
| Equipment                  | 3-10 years |

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Note 2: Cash.

The composition of cash and investments are as follows:

Cash:

|                                |                   |
|--------------------------------|-------------------|
| General Fund Checking Accounts | \$ 338,094        |
| Petty Cash                     | 500               |
| Money Market Accounts          | <u>26,646</u>     |
| Financial Statement Total      | <u>\$ 365,240</u> |

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

|                | <u>Categories</u> |          |          | <u>Carrying<br/>Amount</u> | <u>Market<br/>Value</u> |
|----------------|-------------------|----------|----------|----------------------------|-------------------------|
|                | <u>1</u>          | <u>2</u> | <u>3</u> |                            |                         |
| Cash:          |                   |          |          |                            |                         |
| Checking A/C's | \$ 338,094        | \$       | \$       | \$ 338,094                 | \$ 338,094              |
| Petty Cash     | 500               |          |          | 500                        | 500                     |
| Money Market   | <u>26,646</u>     |          |          | <u>26,646</u>              | <u>26,646</u>           |
| Total Cash     | \$ <u>365,240</u> | \$       | \$       | \$ <u>365,240</u>          | \$ <u>365,240</u>       |

All cash and investments are protected by either FDIC, SIPC, or independent bank collateral guarantees.

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

|                                    | <u>Beginning<br/>of Year</u> | <u>Additions</u> | <u>Deletions</u> | <u>End<br/>of Year</u> |
|------------------------------------|------------------------------|------------------|------------------|------------------------|
| Land                               | \$ 112,710                   | \$               | \$               | \$ 112,710             |
| Buildings                          | 4,210,528                    |                  |                  | 4,210,528              |
| Furniture &<br>Equipment-Dwellings | 206,322                      |                  |                  | 206,322                |
| Furniture &<br>Equipment-Admin     | 84,700                       | 31,362           |                  | 116,062                |
| Construction in Progress           | <u>134,229</u>               | <u>25,262</u>    |                  | <u>159,491</u>         |
|                                    | \$ 4,748,489                 | \$ 56,624        | \$               | \$ 4,805,113           |
| Less Accumulated<br>Depreciation   | <u>2,243,651</u>             | <u>154,280</u>   |                  | <u>2,397,931</u>       |
|                                    | \$ <u>2,504,838</u>          | \$ (97,656)      | \$               | \$ <u>2,407,182</u>    |

Note 4: Accrued Liabilities

The accrued liabilities consist of the following:

|                           |                  |
|---------------------------|------------------|
| Accrued Utilities payable | \$ 10,547        |
| Management Fee Payable    | <u>2,200</u>     |
| Total Accrued Liabilities | \$ <u>12,747</u> |

Notes to Financial Statements- continued

Note 5: Deferred Revenue

Deferred Revenue consists of the following:

|                        |                 |
|------------------------|-----------------|
| Prepaid Tenant Rents   | \$ 1,258        |
| Prepaid Comcast Income | <u>6,738</u>    |
|                        | \$ <u>7,996</u> |

Comcast, Inc., entered into an exclusive rights agreement with the Commission whereas the units will be restricted to Comcast cable service for an advance of \$ 175/per unit. The agreement covers a twelve year period and will be amortized over the length of the contract.

Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 7: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 8: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

| <u>Types of Policies</u>   | <u>Coverage's</u> |
|--|-------------------|
| Property   | \$ 8,391,448      |
| General Liability  | 1,000,000         |
| Dishonesty Bond  | 1,000,000         |
| Worker's Compensation and other<br>riders: minimum coverage's<br>required by the State of Michigan |                   |



## New Haven Housing Commission

31-Mar-08

MI180

| Combining Statement of Net Assets |  | Low Rent 14.850 | Capital Projects<br>Funds 14.872 | TOTAL       |
|-----------------------------------|--|-----------------|----------------------------------|-------------|
| Line Item #                       |  |                 |                                  |             |
|                                   | <b>ASSETS:</b>   |                 |                                  |             |
|                                   | <b>CURRENT ASSETS:</b>                                     |                 |                                  |             |
|                                   | Cash:  |                 |                                  |             |
| 111                               | Cash - unrestricted  | 349,544         | -                                | 349,544     |
| 112                               | Cash - restricted - modernization and development          | -               |                                  | -           |
| 113                               | Cash - other restricted                                    |                 |                                  | -           |
| 114                               | Cash - tenant security deposits                            | 15,696          |                                  | 15,696      |
| 100                               | Total cash   | 365,240         | -                                | 365,240     |
|                                   | Accounts and notes receivables:                            |                 |                                  |             |
| 121                               | Accounts receivable - PHA projects                         |                 |                                  | -           |
| 122                               | Accounts receivable - HUD other projects                   | -               |                                  | -           |
| 124                               | Accounts receivable - other government                     |                 |                                  | -           |
| 125                               | Accounts receivable - miscellaneous                        |                 |                                  | -           |
| 126                               | Accounts receivable- tenants - dwelling rents              | 6,965           |                                  | 6,965       |
| 126.1                             | Allowance for doubtful accounts - dwelling rents           | (1,000)         |                                  | (1,000)     |
| 126.2                             | Allowance for doubtful accounts - other                    |                 |                                  | -           |
| 127                               | Notes and mortgages receivable- current                    |                 |                                  | -           |
| 128                               | Fraud recovery   |                 |                                  | -           |
| 128.1                             | Allowance for doubtful accounts - fraud                    |                 |                                  | -           |
| 129                               | Accrued interest receivable                                |                 |                                  | -           |
| 120                               | Total receivables, net of allowances for doubtful accounts | 5,965           | -                                | 5,965       |
|                                   | Current investments  |                 |                                  | -           |
| 131                               | Investments - unrestricted                                 | -               |                                  | -           |
| 132                               | Investments - restricted                                   |                 |                                  | -           |
| 142                               | Prepaid expenses and other assets                          | 16,663          |                                  | 16,663      |
| 143                               | Inventories  | -               |                                  | -           |
| 143.1                             | Allowance for obsolete inventories                         |                 |                                  | -           |
| 144                               | Interprogram - due from                                    | -               | -                                | -           |
| 146                               | Amounts to be provided                                     |                 |                                  | -           |
| 150                               | TOTAL CURRENT ASSETS                                       | 387,868         | -                                | 387,868     |
|                                   | <b>NONCURRENT ASSETS:</b>                                  |                 |                                  |             |
|                                   | Fixed assets:  |                 |                                  |             |
| 161                               | Land   | 112,710         |                                  | 112,710     |
| 162                               | Buildings  | 4,210,528       |                                  | 4,210,528   |
| 163                               | Furniture, equipment & machinery - dwellings               | 206,322         |                                  | 206,322     |
| 164                               | Furniture, equipment & machinery - administration          | 116,062         | -                                | 116,062     |
| 165                               | Leasehold improvements                                     | -               | -                                | -           |
| 166                               | Accumulated depreciation                                   | (2,397,931)     | -                                | (2,397,931) |
| 167                               | Construction in Progress                                   |                 | 159,491                          | 159,491     |
| 160                               | Total fixed assets, net of accumulated depreciation        | 2,247,691       | 159,491                          | 2,407,182   |
| 171                               | Notes and mortgages receivable - non-current               |                 |                                  | -           |
| 172                               | Notes and mortgages receivable-non-current-past due        |                 |                                  | -           |
| 174                               | Other assets   |                 |                                  | -           |
| 175                               | Undistributed debits                                       |                 |                                  | -           |
| 176                               | Investment in joint ventures                               |                 |                                  | -           |
| 180                               | TOTAL NONCURRENT ASSETS                                    | 2,247,691       | 159,491                          | 2,407,182   |
| 190                               | TOTAL ASSETS   | 2,635,559       | 159,491                          | 2,795,050   |

|        |  |                  |                |                  |
|--------|--|------------------|----------------|------------------|
|        | <b>LIABILITIES AND EQUITY</b>                            |                  |                |                  |
|        | <b>LIABILITIES:</b>                                      |                  |                |                  |
|        | <b>CURRENT LIABILITIES</b>                               |                  |                |                  |
| 311    | Bank overdraft   |                  |                | -                |
| 312    | Accounts payable ≤ 90 days                               | 7,672            |                | 7,672            |
| 313    | Accounts payable > 90 days past due                      |                  |                | -                |
| 321    | Accrued wage/payroll taxes payable                       | 6,142            |                | 6,142            |
| 322    | Accrued compensated absences                             | -                |                | -                |
| 324    | Accrued contingency liability                            |                  |                | -                |
| 325    | Accrued interest payable                                 |                  |                | -                |
| 331    | Accounts payable - HUD PHA programs                      |                  |                | -                |
| 332    | Accounts Payable - PHA Projects                          |                  |                |                  |
| 333    | Accounts payable - other government                      | 7,462            | -              | 7,462            |
| 341    | Tenant security deposits                                 | 15,696           |                | 15,696           |
| 342    | Deferred revenues  | 7,996            |                | 7,996            |
| 343    | Current portion of Long-Term debt - capital projects     |                  |                | -                |
| 344    | Current portion of Long-Term debt - operating borrowings |                  |                | -                |
| 345    | Other current liabilities                                | 10,547           |                | 10,547           |
| 346    | Accrued liabilities - other                              | 2,200            |                | 2,200            |
| 347    | Inter-program - due to                                   | -                | -              | -                |
| 310    | <b>TOTAL CURRENT LIABILITIES</b>                         | <b>57,715</b>    | <b>-</b>       | <b>57,715</b>    |
|        | <b>NONCURRENT LIABILITIES</b>                            |                  |                |                  |
| 351    | Long-term debt, net of current- capital projects         |                  |                | -                |
| 352    | Long-term debt, net of current- operating borrowings     |                  |                | -                |
| 353    | Noncurrent liabilities- other                            |                  |                | -                |
| 350    | <b>TOTAL NONCURRENT LIABILITIES</b>                      | <b>-</b>         | <b>-</b>       | <b>-</b>         |
| 300    | <b>TOTAL LIABILITIES</b>                                 | <b>57,715</b>    | <b>-</b>       | <b>57,715</b>    |
|        | <b>EQUITY:</b>   |                  |                |                  |
| 501    | Investment in general fixed assets                       |                  |                | -                |
|        | <b>Contributed Capital:</b>                              |                  |                |                  |
| 502    | Project notes (HUD)                                      |                  |                | -                |
| 503    | Long-term debt - HUD guaranteed                          | -                |                | -                |
| 504    | Net HUD PHA contributions                                | -                |                | -                |
| 505    | Other HUD contributions                                  |                  |                | -                |
| 508.01 | Net Assets invested in Capital Assets                    | 2,251,980        | 159,491        | 2,411,471        |
| 508    | Total contributed capital                                | 2,251,980        | 159,491        | 2,411,471        |
|        | <b>Reserved fund balance:</b>                            |                  |                |                  |
| 509    | Reserved for operating activities                        |                  |                | -                |
| 510    | Reserved for capital activities                          |                  |                | -                |
| 511    | Total reserved fund balance                              | -                | -              | -                |
| 512    | Undesignated fund balance/retained earnings              | 325,864          | -              | 325,864          |
| 513    | <b>TOTAL EQUITY</b>                                      | <b>2,577,844</b> | <b>159,491</b> | <b>2,737,335</b> |
| 600    | <b>TOTAL LIABILITIES AND EQUITY</b>                      | <b>2,635,559</b> | <b>159,491</b> | <b>2,795,050</b> |

- - -

New Haven Housing Commission

31-Mar-08

MI180

| Combining Statement of Revenues, Expenses |   | Low Rent 14.850 | Capital Projects<br>Funds 14.872 | TOTAL   |
|---|---|-----------------|----------------------------------|---------|
| Line Item #                               |   |                 | -                                |         |
|   | <b>REVENUE:</b>   | -               |                                  |         |
| 703                                       | Net tenant rental revenue                               | 147,627         |                                  | 147,627 |
| 704                                       | Tenant revenue - other                                  | -               |                                  | -       |
| 705                                       | Total tenant revenue                                    | 147,627         | -                                | 147,627 |
| 706                                       | HUD PHA grants  | 280,199         | 99,007                           | 379,206 |
| 708                                       | Other government grants                                 |                 |                                  | -       |
| 711                                       | Investment income - unrestricted                        | 9,823           | -                                | 9,823   |
| 712                                       | Mortgage interest income                                |                 |                                  | -       |
| 714                                       | Fraud recovery  |                 |                                  | -       |
| 715                                       | Other revenue   | 17,815          | -                                | 17,815  |
| 716                                       | Gain or loss on the sale of fixed assets                |                 |                                  | -       |
| 720                                       | Investment income - restricted                          |                 |                                  | -       |
| 700                                       | <b>TOTAL REVENUE</b>                                    | 455,464         | 99,007                           | 554,471 |
|   | <b>EXPENSES:</b>  |                 |                                  |         |
|   | Administrative  |                 |                                  |         |
| 911                                       | Administrative salaries                                 | 51,159          |                                  | 51,159  |
| 912                                       | Auditing fees   | 3,650           |                                  | 3,650   |
| 913                                       | Outside management fees                                 | 31,680          |                                  | 31,680  |
| 914                                       | Compensated absences                                    | -               |                                  | -       |
| 915                                       | Employee benefit contributions- administrative          | 13,927          |                                  | 13,927  |
| 916                                       | Other operating- administrative                         | 41,656          | -                                | 41,656  |
|   | Tenant services   |                 |                                  |         |
| 921                                       | Tenant services - salaries                              | 1,132           |                                  | 1,132   |
| 922                                       | Relocation costs  | -               |                                  | -       |
| 923                                       | Employee benefit contributions- tenant services         | -               |                                  | -       |
| 924                                       | Tenant services - other                                 | 3,482           |                                  | 3,482   |
|   | Utilities   |                 |                                  |         |
| 931                                       | Water   | 36,297          |                                  | 36,297  |
| 932                                       | Electricity   | 8,549           |                                  | 8,549   |
| 933                                       | Gas   | 4,729           |                                  | 4,729   |
| 934                                       | Fuel  |                 |                                  | -       |
| 935                                       | Labor   |                 |                                  | -       |
| 937                                       | Employee benefit contributions- utilities               |                 |                                  | -       |
| 938                                       | Other utilities expense                                 | -               |                                  | -       |
|   | Ordinary maintenance & operation                        |                 |                                  |         |
| 941                                       | Ordinary maintenance and operations - labor             | 68,774          |                                  | 68,774  |
| 942                                       | Ordinary maintenance and operations - materials & other | 5,786           |                                  | 5,786   |
| 943                                       | Ordinary maintenance and operations - contract costs    | 64,695          |                                  | 64,695  |
| 945                                       | Employee benefit contributions- ordinary maintenance    | 18,741          |                                  | 18,741  |
|   | Protective services                                     |                 |                                  |         |
| 951                                       | Protective services - labor                             |                 |                                  | -       |



NEW HAVEN HOUSING COMMISSION  
Status of Prior Audit Findings  
March 31, 2008

The prior audit of the New Haven Housing Commission for the period ended March 31, 2007 did not contain any audit findings.

NEW HAVEN HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
March 31, 2008

I have audited the financial statements of the New Haven Housing Commission of New Haven, Michigan, as of and for the year ended March 31, 2008, and have issued my report thereon dated September 19, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the New Haven Housing Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information of management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant  
Hemlock, Michigan  
September 19, 2008





NEW HAVEN HOUSING COMMISSION  
Schedule of Findings, Recommendations and Replies  
March 31, 2008

The following finding of the New Haven Housing Commission, for the year ended March 31, 2008, was discussed with the Property Supervisor, Ms. Sabrina Gaddy, in an exit interview conducted August 22, 2008:

Finding 08-1) Tenant Accounting Discrepancies- Low Rent Program.

Criteria-

The following items were noted during the audit:

- No notification to the tenants concerning the Violence Against Woman's Act (VAWA).
- Pet policy is not in compliance with Federal (HUD) and State (Michigan) rules.

Condition-

VAWA requires insertion into the ACOP, notification to the tenants, and reference in the lease. The pet policy needs to comply with HUD and State requirements; currently, it is a fixed dollar amount. The State law says all deposits can not exceed one and one half months rent; HUD rules suggest the pet deposit can not exceed the rent in the month the pet is acquired. A fixed dollar amount may exceed both the aforementioned requirements.

Questioned Cost-

None

Effect-

The Commission is not compliant with HUD regulations.

Cause-

Lack of knowledge concerning HUD regulations.

Recommendation

The above items reflect new regulations concerning VAWA and a refined interpretation of the Pet Policy.

I recommend the Commission implement a plan to insure the management company is in compliance with HUD regulations.

Reply

- VAWA will be added to the ACOP, referenced in the lease, and residents will be notified.
- Clarification is needed to explain why our Pet Policy does not meet Federal (HUD) compliance? When the Detroit HUD office was contacted regarding the state law regarding security deposits it was not viewed the same as a Pet Deposit. We were notified to follow HUD guidelines which we feel we are doing.